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ARIZONA CORPORATION COMMISSION

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May 12, 2011

RE: SSVEC 2011 REST Implementation Plan, Docket No. E-01575A-10-0308

Dear Colleagues and Interested Parties:

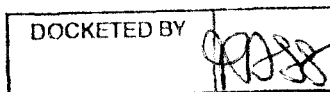
Recently my office received copies of email (attached) concerning Sulphur Springs Valley Electric Cooperative's (SSVEC) tariffs, including tariffs for customer demand charges and net metering, related to certain Photovoltaic (PV) installations. The email raises questions for me on the implicated SSVEC tariffs and the manner in which they are implemented by SSVEC. It would be unfortunate if unintended economic barriers exist that deter SSVEC customers from taking full advantage of PV as a renewable energy resource under SSVEC REST Implementation Plan and/or its implicated tariffs.

It would be helpful to me in my consideration of SSVEC's 2011 REST Implementation Plan, if the issues raised in the email would be included in the Commission's discussion and consideration of SSVEC's 2011 REST Implementation Plan that is likely to be on the upcoming May Open Meeting. Therefore, I would like SSVEC to be prepared to address these matters, and also invite interest parties to provide comment at the Open Meeting. I look forward to a full discussion related to this letter.

Arizona Corporation Commission

DOCKETED

MAY 12 2011



Sincerely,

Paul Newman

Paul Newman
Commissioner

cc: Chairman Gary Pierce
Commissioner Bob Stump
Commissioner Sandra D. Kennedy
Commissioner Brenda Burns
Ernest G. Johnson
Janice Alward
Steve Olea
Lyn Farmer
Bradley Carroll
Gail Getzwiller
Jim Rowley
Ted Walker

RECEIVED
2011 MAY 12 A 9:52
DOCKET CONTROL

Jennifer Ybarra

From: Nancy LaPlaca
Sent: Tuesday, May 10, 2011 11:00 AM
To: 'Jim Rowley'; Ted Walker; Deborah Fain
Cc: Jennifer Ybarra
Subject: RE: Meet With Mr. Walker

Follow Up Flag: Follow up
Flag Status: Completed

All:

Please note that communications must be public.

Jen: pls post this to the docket and print out for Paul and me. thanks.

nancy

From: Jim Rowley [mailto:jfrowleylll@msn.com]
Sent: Thursday, May 05, 2011 4:25 PM
To: Ted Walker; Deborah Fain
Subject: FW: Meet With Mr. Walker

We need to get SSVEC to make a new pricing structure for commerical PV accounts. Their current structure puts a road block in front large scale commerical Renewable Energy systems.

Jim Rowley
Elgin Energy
520.455.0404 Office
520.216.0050 Cell

From: dbane@ssvec.com
To: jfrowleylll@msn.com
Subject: RE: Meet With Mr. Walker
Date: Thu, 5 May 2011 17:02:33 +0000

Jim,

You have hit the dilemma that I have been facing.

PV produces kWh

Residential billing is all on kWh so PV gets the most return on investment.

Commercial accounts are billed on kWh and **demand based on the highest 15 minute load** in the billing month.

Commercial kWh charges are lower than residential because a portion of the energy costs are recovered in the demand charge.

We have a commercial demand because unlike a residence (which we can predict the demand) demand on a business can and does affect our costs based on their demand.

PV on commercial accounts is more complicated because it offsets kWh but does not always offset demand. If your 15 highest load happens to coincide with the peak production of the PV system each and every month, then it will lower your demand costs. That is a hard target to hit with a resource that is dependent on the sun shining when you are at your peak consumption time. I never assume a PV or wind system will lower demand costs.

Of the 41 systems we put in for the schools maybe half of them have seen a corresponding demand reduction from the PV. It is usually the small schools who do not operate at night and use gas for heating.

Ted's project is the perfect storm of what can happen when a salesman who has no concept of how rates work sell a larger system than the customer needs. The bigger the system the more the salesman makes in commission. So who's interest does he have in mind. The Co-op is member owned and we keep the interest of our owners in mind when we look at a project. We have no vested interest in the size of the system except what is good for the owner.

The first "storm" was when we first reviewed Ted's account to check to see if Net Metering would apply. In reviewing the account I found that he exceeded 3,000 kWh in more than two consecutive months. This triggered a clause in the GS rate that moved him from a non demand meter to a demand meter. This is part of our rates and when we find an account that uses more than 3,000 kWh for two months we have to change them to a demand account by law. That was the first impact on Ted due to the PV project. We should have caught this before this but I don't know who is suppose to monitor this in billing or if we even have an active monitoring process in place.

The next storm was when Robbie disagreed with the method we used to determine Net Metering and to keep peace we downgraded the production to the 5 hour per day equivalent. So the system remained over sized. Under the Net Metering rules bigger is not better but Robbie didn't want to listen. I tried to get you to lower the system size but there was something that keeps everyone who Robbie talked to thinking that bigger was better and I got the feeling that everyone thinks I am "not telling the truth" or have some other motive to keep the system size small.

The next storm. It was decided to combine two services to support the size of the project (100kW to start with) which was not a inexpensive undertaking. And I fought to get the system size lowered which ended up at 84kW.

The next storm. The 84kW system with little or no load on the customers side overloaded the service transformer blowing the fuses in the transformer. When it was all said and done, the transformer had to be upgraded to handle the potential for an 80+ kW of backfeed.

The next storm. The general service rate has a size limit. It is for services that have a capacity of 50kW or less. The transformer to handle the 80+kW is larger than 50kW so we had no choice but to move Ted to the next rate that is for services of 50kW but less than 500kW.

The next storm. The large power or rate P has more of the energy costs in the demand component of the bill and the kWh charge is much lower than either the residential or small commercial. As a rate class this is usually a cost saving compared to the other rates because a typical business that has this much demand also has a significant amount of kWh and the lower kWh cost provides cost savings to the business.

Hindsight: If Ted had downsized the system to the 50kW I recommended in 2009 he would be a lot happier today. He spent a lot of money based on the recommendation of Robbie Richards who did not have a clue on Net Metering or how electric rates work.

So back to the original concern, YES it is harder to get PV to work in C&I applications due to the design of the rate structure.

Hope this helps,

David Bane

From: Jim Rowley [mailto:jfrowleylll@msn.com]
Sent: Thursday, May 05, 2011 8:22 AM
To: David Bane
Subject: RE: Meet With Mr. Walker

I think he's trying to get an understanding of the demand charge and your Schedule P rate structure. I'm also a little concerned about any commercial PV above about 40 kW will need to have the larger transformer to accommodate the larger systems. Seems the demand charge in Schedule P is a road block to larger commercial systems.

Jim Rowley
Elgin Energy
520.455.0404 Office
520.216.0050 Cell

From: dbane@ssvec.com
To: jfrowleylll@msn.com
Subject: RE: Meet With Mr. Walker
Date: Thu, 5 May 2011 15:06:10 +0000

Jim,

Can you share what questions you will be asking so I can have answers at hand?

David Bane

From: Jim Rowley [mailto:jfrowleylll@msn.com]
Sent: Wednesday, May 04, 2011 2:43 PM
To: David Bane
Subject: RE: Meet With Mr. Walker

David, how does 2:00 PM on May 17th in your office work for you?

Jim Rowley
Elgin Energy
520.455.0404 Office
520.216.0050 Cell

From: dbane@ssvec.com
To: jfrowleyIII@msn.com
Subject: RE: Meet With Mr. Walker
Date: Wed, 4 May 2011 19:48:56 +0000

Jim,

I am on a business trip leaving this Saturday and not returning until the night of the 13th.

After that we can find a time that fits your schedule as mine is empty (so far) on Monday, Wednesday, or Friday anytime.

Tuesday and Thursday are open mid afternoon to close of business.

David Bane

From: Jim Rowley [mailto:jfrowleyIII@msn.com]
Sent: Wednesday, May 04, 2011 12:33 PM
To: David Bane
Subject: Meet With Mr. Walker

David, do you have time to meet with Mr. Walker and myself sometime next week? We can come to your office in SV.

Jim Rowley
Elgin Energy
520.455.0404 Office
520.216.0050 Cell